

# BUDGET LETTER

<b>SUBJECT:</b> 2008-09 GENERAL ADMINISTRATIVE COSTS (PRO RATA) AND 2008-09 STATEWIDE COST ALLOCATION PLAN (SWCAP)	<b>NUMBER:</b> 07-29 <b>DATE ISSUED:</b> October 1, 2007
<b>REFERENCES:</b> GOVERNMENT CODE SECTIONS 11270 - 11277, 13332.01, 13332.02, 22883; STATE ADMINISTRATIVE MANUAL SECTIONS 8752 – 8758	<b>SUPERSEDES:</b> BL 06-32

TO: Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

## I. General Administrative Costs

General Administrative Costs (Pro Rata) represents General Fund recoveries from special funds for statewide general administrative costs incurred by central service agencies (e.g., Department of Finance [Finance], State Controller's Office [SCO], State Personnel Board, and the Legislature). These recoveries are required by Government Code Sections 11270–11277 and 22883. The costs for each central service are apportioned to all state departments and then allocated to each department's funding source(s). Funds that are classified as "billable" (i.e., funded by special revenue sources such as fees, licenses, penalties, assessments, etc.) reimburse the General Fund for Pro Rata costs via quarterly transfers made by the SCO. The total billable and nonbillable allocation is used as the statewide indirect cost component of a department's rate structure when billing non-federal clients. It is anticipated that reports reflecting the apportioned costs for 2008-09 will be available by October 12, 2007 at:  
[http://www.dof.ca.gov/FISA/PROSWCAP/prorata\\_detail\\_reports.htm](http://www.dof.ca.gov/FISA/PROSWCAP/prorata_detail_reports.htm).

The Fiscal Systems and Consulting Unit (FSCU) calculates the Pro Rata assessments against billable funds. In early October, the 2008-09 Pro Rata assessments, which are on green sheets, will be provided to Finance budget analysts, who will complete all required information, including the "Adjusted Assessment" column, and will forward the completed sheets to the departments for certification. A sample of the Pro Rata assessment sheet is provided in Attachment I. Departments must set aside the assessment amounts in the fund condition statements and workload budget/baseline budgets for the specified fund(s). In addition, the assessment amounts must be reflected in the Supplementary Schedule of Operating Expenses and Equipment (DF-300) on a separate line using the Uniform Codes Manual (UCM) object code 330438. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made and verify that the DF-300 accurately reflects the Pro Rata assessments.

**Departments must sign the Pro Rata assessment sheet to certify that the assessment amounts have been set aside in the fund condition statement(s) for the specified fund(s) and included in the proposed appropriation amount(s). Departments must then return the sheet to their Finance budget analysts no later than October 17, 2007. Finance budget analysts must submit the assessment sheets to FSCU by October 19, 2007.**

## **II. Statewide Cost Allocation Plan**

Statewide Cost Allocation Plan (SWCAP) represents General Fund recoveries from federal funds for statewide general administrative costs incurred by central service agencies. These recoveries are required by Government Code Sections 13332.01, 13332.02, and 22883. SWCAP includes only those central service costs which are allowable for federal reimbursement purposes. The costs of each central service are apportioned to state departments that receive federal funds. Unless prohibited by the federal government, each department that receives federal funds must recover their SWCAP costs and request the SCO to transfer the recoveries to the General Fund. Departments are responsible for complying with federal and state requirements to ensure that SWCAP costs can be recovered from the federal government. It is anticipated that reports reflecting the apportioned costs for 2008-09 will be available by October 12, 2007 at:

[http://www.dof.ca.gov/FISA/PROSWCAP/swcap\\_detail\\_reports.htm](http://www.dof.ca.gov/FISA/PROSWCAP/swcap_detail_reports.htm).

FSCU calculates the SWCAP apportionments. In early October, the 2008-09 SWCAP apportionments, which are on pink sheets, will be provided to Finance budget analysts, who will complete and forward the sheets to the departments. A sample of the SWCAP apportionment sheet is provided in Attachment II. Departments must include the budgeted SWCAP amount from this sheet in their budgeted federal receipts. In addition, departments must reflect the budgeted SWCAP amount on the DF-300 on a separate line using UCM object code 330439. To the extent that federal fund receipts can be adjusted under applicable federal laws to reflect changes in SWCAP apportionments, planning estimates for federal funds need to be adjusted to reflect changes from prior levels. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made and verify that the DF-300 accurately reflects the SWCAP apportionments.

**Departments must sign the SWCAP apportionment sheet to certify that the budgeted SWCAP amount has been included in the budgeted federal receipts and that it is allowed under the specified federal programs. Departments must then return the sheet to their Finance budget analysts no later than October 17, 2007. Finance budget analysts must submit the apportionment sheets to FSCU by October 19, 2007.**

## **III. Indirect Cost Rate Proposal**

State Administrative Manual (SAM) Section 8756.1 requires each department that receives federal funds to prepare an ICRP. The Indirect Cost Rate Proposal (ICRP) is required to be filed with the department's cognizant federal agency at least six months prior to the fiscal year that the ICRP applies. Prior to sending the ICRP to the cognizant federal agency, departments must submit ICRPs to FSCU for review and approval. At least three weeks should be allowed for FSCU's review. ICRPs must be in compliance with the state's Full Cost Recovery policy, as defined in SAM Section 8752.

## **IV. Full Cost Recovery**

Departments must recover full costs whenever goods or services are provided for others. Full costs include department direct and indirect (overhead) costs and central service costs. Refer to SAM Sections 8752-8758 for more information.

Additional information on Pro Rata, SWCAP, ICRPs, and other related items are available on our website at <http://www.dof.ca.gov/fisa/proswcap/proswcap.htm>. For Pro Rata assistance, please contact Ana Struve at (916) 445-3434, extension 2137 or e-mail at [fiprowp@dof.ca.gov](mailto:fiprowp@dof.ca.gov). For SWCAP and ICRP assistance, please contact Natalie Villanueva at (916) 445-3434, extension 2139 or e-mail at [fiprowp@dof.ca.gov](mailto:fiprowp@dof.ca.gov).

/s/ Veronica Chung-Ng

Veronica Chung-Ng  
Program Budget Manager

Attachments